MARKET CONDUCT EXAMINATION

GREAT-WEST HEALTHCARE OF WASHINGTON, INC.

3005 112TH AVENUE NE, SUITE 220 BELLEVUE, WA 98004

January 1, 2002 – December 31, 2003

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The Honorable Mike Kreidler
Washington State Insurance Commissioner
P.O. Box 40255
Olympia, Washington 98504

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.44.145 and procedures promulgated by the National Association of Insurance Commissioners and the Office of the Insurance Commissioner (OIC), an examination of the market conduct affairs has been performed of:

Great-West Healthcare of Washington, Inc., NAIC #47081
3005 112th Avenue NE, Suite 220
Bellevue, Washington 98004

In this report, Great-West Healthcare is referred to as GWH or the Company.

This report of examination is respectfully submitted.

CHIEF EXAMINER'S REPORT CERTIFICATION and ACKNOWLEDGEMENTS

This examination was conducted in accordance with Office of Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. Nancy L. Barnes, AIE, ACS; Charlotte F. Wright; and Sandy Ray, CPCU of the Washington State Office of Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to express appreciation for the courtesy and cooperation extended by the personnel of Great-West Healthcare during the course of this market conduct examination.

I certify that this document is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of Insurance Commissioner and that this report is true and correct to the best of my knowledge and belief.

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Leslie A. Krier, AIE, FLMI
Chief Market Conduct Examiner
Office of the Insurance Commissioner
State of Washington

FOREWORD

This examination was completed by applying tests to each examination standard. Each test applied during the examination is stated in this report and the results are reported. Exceptions are noted as part of the comments for the applied test. Throughout the report, where cited, RCW refers to the Revised Code of Washington, and WAC refers to Washington Administrative Code.

Scope

Time Frame

The examination covered the Companies' operations from January 1, 2002 through December 31, 2003. This was the first market conduct examination of Great-West Healthcare of Washington, Inc. This examination was performed both in the Seattle OIC office and on-site at the Company's office in Bellevue, Washington.

Matters Examined

The examination included a review of the following areas:

Company Operations and Management
Agent Activity
Claims
Administrative Contracts
Underwriting
Advertising
Complaints
Rate and Form Filings
Provider Activity

Sampling Standards

Methodology

In general, the sample for each test utilized in this examination falls within the following guidelines:

92 %	Confidence Level
+/- 5 %	Mathematical Tolerance.

Regulatory Standards

Market conduct samples are tested for compliance with standards established by the OIC. The tests applied to sampled data will result in an error ratio, which determines whether or not a standard is met. If the error ratio found in the sample is, generally, less than 5%, the standard will be considered as met. The standards in the area of agent licensing and appointment, and

policy and form filings will not be met if any violation is identified. This will also apply when all records are examined, in lieu of a sample.

For those standards, which look for the existence of written procedures, or a process to be in place, the standard will be met based on the examiner's analysis of those procedures or processes. The analysis will include a determination of whether or not the company follows established procedures.

Standards will be reported as Passed (without Comment), Passed with Comment or Failed. The definition of each category follows:

Passed	There were no findings for the standard.
Passed with Comment	Errors in the records reviewed fell within the tolerance level for that standard.
Failed	Errors in the records reviewed fell outside of the tolerance level established for the standard.

COMPANY OPERATIONS AND MANAGEMENT

Company History

Great-West Healthcare of Washington, Inc. was incorporated in Washington on March 31, 1997. The Company, formerly known as One Health Plan of Washington, Inc. (OHP), received its certificate of registration as a health care service contractor (HCSC) from the OIC on August 18, 1997. On October 30, 2003, the OIC approved the name change of OHP to Great-West Healthcare of Washington, Inc.

GWH is a wholly owned subsidiary of Great-West Life & Annuity Insurance Company (GWLA). GWLA is a stock life insurance company headquartered in Greenwood Village, Colorado. As of January 1, 2002, all employees of Great-West Healthcare became employees of GWLA.

Company Management & Operations

GWH is governed by its Board of Directors. Board meetings are held quarterly. The Company's annual meeting is held in the second quarter of each year. At that time, the directors are elected by the shareholders. There are three (3) directors. Also at that time, officers of the corporation are appointed. Special meetings are held as needed and in accordance with the company bylaws.

The board members during the examination period, and still serving as of July 31, 2004, are:

Board Member	Position	Term Began	Term Expires
Donna Anne Goldin	Chairperson	05/21/1997	Currently Serving
Deborah Lynn Origer	Director	05/01/2003	Currently Serving
Martin Rosenbaum	Director	05/21/1997	Currently Serving

The officers of GWH during the examination period, and still serving as of July 31, 2004, are:

Officer	Position	Term Began	Term Expires
Susan Wood Hallett	President	05/11/2003	Currently Serving
Richard Gardner Swanberg	Vice President & Medical Director	05/01/2003	06/14/2004
Dr. Robert Aubrey Allen	Vice President & Medical Director	05/07/2004	Currently Serving
Richard George Schultz	Secretary	03/31/1997	Currently Serving
Glen Ray Derback	Treasurer	03/31/1997	Currently Serving

Subsequent Event: GWH formally requested withdrawal from the large and small group market in the State of Washington on June 25, 2004. GWH met the requirements for

withdrawal as stated in RCW 48.43.035 and approval to withdraw was granted on July 26, 2004. The Company's HCSC registration will be retained after the withdrawal is complete. It will be inactive as long as the Company meets the financial requirements outlined in Chapter 48.44 RCW.

Territory of Operations

GWH services the counties of Clallam, Island, King, Lewis, Snohomish, Pierce, Skagit and Thurston. The examiners did not detect any evidence of the Company working outside its stated territory of operations.

Findings

The following Company Operations & Management Standards passed without comment:

	Company Operations & Management Standard	Reference
2	**The company is required to report to the OIC any changes to the registration documents, including Articles of Incorporation, Bylaws, and Amendments at the same time as submitting such documents to the Secretary of State.**	**RCW 48.44.013**
3	**When the company registers with the OIC, it is required to state its area of operations.**	**RCW 48.44.040**

The following Company Operations & Management Standard passed with comment:

	Company Operations & Management Standard	Reference
4	**The company shall not advertise or display its certificate of registration for use as an inducement in any solicitation.**	**RCW 48.44.150**

Company Operations & Management Standard #4:

The examiners noticed during their on site visit to the Company's Bellevue offices that the certificate of registration issued by the OIC was displayed in a public seating area. The Company explained to the examiners that the seating area is in its administrative office. Solicitation of business does not occur in the administrative office and display of the certificate was not intended as an inducement.

Subsequent Event: The Company removed its certificate of registration from open display in its administrative office on April 6, 2005.

The following Company Operations & Management Standards failed:

	Company Operations & Management Standard	Reference
1	**The company is required to be registered with the OIC prior to acting as a health care service contractor in the State of Washington.**	**RCW 48.44.015(1)**

	Company Operations & Management Standard	Reference
5	**The company is required to be registered with the Office of Insurance Commissioner prior to acting as a health maintenance organization in the State of Washington.**	**RCW 48.46.027(1)**

Company Operations & Management Standard #1:

The examiners found that the Company markets itself under the following names: Great-West Life & Annuity Insurance Company, New England Life Insurance (NELI), ALTA Health & Life Insurance Company (ALTA). GWLA, NELA, and ALTA are disability insurers. RCW 48.44.015(1) states that a person may not in this state, by mail or otherwise, act as or hold himself or herself out to be a health care service contractor without first being registered with the commissioner. GWLA, NELA and ALTA are not registered with the OIC as health care service contractors.

In the Provider Activity section, the examiners found that the GWH was still using the name One Health Plan of Washington, Inc., after the effective date of the name change. Provider contracts were not amended to reflect the Company's name change.

Subsequent Event: GWH issued a memorandum to its senior vice presidents and compliance officers on June 6, 2005. The memorandum provides instruction on using appropriate letterhead and clearly identifying the full name of the company in any items that may be circulated in the marketplace.

Company Operations & Management Standard #5:

Throughout the examination, the examiners found that the Company refers to itself as a health maintenance organization (HMO) rather than a health care service contractor (HCSC). RCW 48.46.027(1) states that a person may not in this state, by mail or otherwise, act as or hold himself or herself out to be a health maintenance organization as defined in RCW 48.46.020 without first being registered with the commissioner. References to HMO were found in the following examination sections: Provider Activity, Advertising, Complaints, and Underwriting.

Subsequent Event: GWH issued a memorandum to its senior vice presidents and compliance officers on June 6, 2005. The memorandum emphasizes that GWH is a health care service contractor and not an HMO, and it emphasizes that GWH should not be referred to as an HMO as it does not hold that type of registration with the State of Washington.

GENERAL EXAMINATION FINDINGS

The Companies' records and operations were reviewed to determine if the Companies do business in accordance with the requirements of this state.

While reviewing GWH's new business, inforce business, and quotes, the examiners found that the Company routinely offers groups of any size the ability to self-fund. Generally, a group must have 51+ members to be ERISA eligible. The examiners noted that four (4) of 14 inforce groups, one (1) of five prospective small groups, and 12 of 22 terminated groups reviewed were comprised of less than 51 lives. Collectively, this represents 41.5% of those files reviewed. This is an issue because small groups that are enrolled under self-funding arrangements could potentially be bankrupted or severely damaged financially as a result of a solitary claim.

Findings

The following General Examination Standard passed without comment:

#	General Examination Standards	Reference
1	**The company does business in good faith, and practices honesty and equity in all transactions.**	**RCW 48.01.030**
3	**The company may not discourage members from contacting the OIC and may not discriminate against those members that do contact the OIC.**	**WAC 284-30-572(2)**

The following General Examination Standard failed:

#	General Examination Standards	Reference
2	**The company must facilitate the examination process by providing its accounts, records, documents and files to the examiners upon request.**	**RCW 48.44.145(2)**

General Examination Standard #2:

There were instances throughout the examination where receipt of information was delayed due to interpretation and questions surrounding the OIC's jurisdiction of ERISA plans. The OIC is responsible for regulating the plans of insurance written by the Company, regardless of funding arrangements. After written requests and telephone clarification, the databases requested for several sections of the examination contained information outside the scope of the examination period and erroneous information. The Company also submitted procedure manuals that were not in use during the examination period. Responses to information requests were often restatements of the examiners' questions instead of answers. The examiners found that it often took two or three attempts before the Company would provide valid, suitable responses to questions and valid, usable information.

In addition, GWH failed to maintain adequate records and the examiners were unable to review the following:

- One (1) complaint file requested for review did not contain sufficient information and the examiners were unable to test standards. (OIC #4, XXX-XX-4758).
- GWH was unable to provide one (1) compliant file that was requested. These files could not be located. (OIC #2, XXX-XX-4592).

- GWH was unable to provide four (4) large group quote files that were requested. These files could not be located.

ADVERTISING

Advertising Procedures

Advertisements are created in the Denver-based marketing communications department. New marketing materials are created through a collaborative effort between a marketing specialist and a product line person. The proposed materials are reviewed and approved by the Company's legal department. Marketing materials are reviewed annually to assure accuracy and compliance.

The Company provided a database of 80 advertising pieces that were in use during the examination period. Two (2) of the pieces provided were only used in Colorado, one (1) piece advertising a program not offered by GWH was included in the advertising file in error, and four (4) pieces were determined applicable to self-funded plans offered by the Company. These seven (7) pieces were outside the scope of the examination. The examiners reviewed the remaining 73 advertising pieces.

Findings

The following Advertising Standards passed without comment:

#	Advertising Standard	Reference
1	**The company cannot advertise a plan to prevent illness or promote health unless a) the clinical preventive benefits are the same as the basic health plan; b) it monitors and reports annually to enrollees on standards of health care and satisfaction of enrollees; c) it makes available its plan to identify and manage the most prevalent diseases within its enrolled population on request.**	**RCW 48.43.510(5), WAC 284-43-820(5)**
3	**The company cannot make misleading comparisons with other companies to induce the consumer to change from another HCSC.**	**RCW 48.44.140**
8	**A HCSC cannot guarantee future dividends or future refunds except in group contracts with an experience refund provision.**	**RCW 48.44.130**

The following Advertising Standards failed:

#	Advertising Standard	Reference
2	**No advertising may contain any false, deceptive or misleading information.**	**RCW 48.44.110**

#	Advertising Standard	Reference
4	**The company complies with Washington Disability Advertising Regulations.**	**WAC 284-50-010 through WAC 284-50-230**
5	**The company maintains a complete advertising file.**	**WAC 284-50-200**
6	**The company must comply with all health plan disclosures as required by regulation.**	**WAC 284-43-820(1) through WAC 284-43-820(3)**
7	**The Company cannot misrepresent the terms, benefits or advantages of the contract.**	**RCW 48.44.120, WAC 284-50-050**

Advertising Standard #2:

Six (6) advertising pieces were found to contain false, deceptive or misleading information:

- One (1) item states that the Company's pharmacy network includes "nearly every" pharmacy in the United States. The use of "nearly every" is an exaggeration.

Subsequent Event: The Company removed the use of the term "nearly every" in its pharmacy network advertising effective January 2005.

- Two (2) items failed to include contraceptive coverage. Failure to include contraceptive coverage is a violation of WAC 284-43-822.
- One (1) item, a preferred prescription drug listing, includes a paragraph regarding contraceptive coverage which begins "If you have contraceptive coverage…" This statement implies that the Company has prescription plans that do not cover contraceptives. Contraceptive coverage must be included to assure compliance with WAC 284-43-822.

Subsequent Event: The Company provided the examiners with its One+ Benefit Summary dated May 10, 2005, Disclosure Form and Evidence of Coverage dated December 2002, and its Combined Disclosure Form and Evidence of Coverage dated January 2003. The benefit summary and both versions of the disclosure forms and evidence of coverage include contraceptive coverage as required by WAC 284-43-822.

- Two (2) items advertise an "Alternative Care Program." One (1) advertisement and the Company's website promote a 25% discount for using a selected group of alternative care providers. Both imply that this select group of providers must be used in order to obtain any benefits at all. The program description, as advertised, does not disclose that alternative care is mandated as part of the member's health plan as required by WAC 284-43-205.

Subsequent Event: The Company states that the "Alternative Care Program" advertisement is obsolete and no longer in use as of April 2005.

See Appendix 1.

Advertising Standard #4:
The following violations were noted:

- **WAC 284-50-110(3):** Eleven (11) pieces of advertising material reviewed by the examiners do not cite the source of statistics used in the advertisement.
    - Four (4) advertisements reflect a potential savings to employer groups for participation in the Company's CareResults program. CareResults is a disease management program that is offered to employers as an option to their health plans. The source of the annual savings figures quoted is not provided.
    - One (1) brochure states that the Company's network includes "nearly every" pharmacy in the United States. No source was given to substantiate this statement.
    - Four (4) pieces claim "…network includes more than 95% of all pharmacies in the United States…" The source of this statistic is not given.
    - One (1) flier states that one in every seven women is at risk for premature delivery. The source of this statistic was not given.
    - One (1) brochure includes medical trend statistics. It also states that the companies disease management program is award winning. The source of statistics and the source of the award were not provided.

    See Appendix 2.

Subsequent Event: GWH amended its advertising procedures on May 14, 2004. If statistics are used in any pieces of advertising, the source of those statistics must be used to obtain corporate approval of the materials.

- **WAC 284-50-150:** Each piece of advertising from the sample of 74 does not reflect the legal name of the insurer. WAC 284-50-150 states "An advertisement shall not use a trade name, any insurance group designation, name of the parent company of the insurer, name of a particular division of the insurer, service mark, slogan, symbol, or other device in a manner which would have the capacity and tendency to mislead or deceive as to the true identity of the insurer." The advertising materials include variations of a statement that Great-West Healthcare refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries (Alta Health & Life Insurance Company and Great-West Healthcare HMO/HCSC companies). Some of the statements also convey that GWH group business is underwritten by New England Life Insurance Company and Metropolitan Life Insurance Company. Several advertising pieces remain in circulation that refer to the Company's former name, One Health Plan. The issue of conducting business in the Company's legal name was addressed with GWH by the OIC's Rates and Forms Division on: July 16, 2002; June 6, 2003; December 18, 2003; December 23, 2003; and January 15, 2004.

Subsequent Event: GWH issued a memorandum to its senior vice presidents and compliance officers on June 6, 2005. The memorandum provides instruction on using appropriate letterhead and clearly identifying the full name of the company in any items that may be circulated in the marketplace.

Advertising Standard #5:

A poster (OIC #70, M4834 06/03)) was reviewed as part of the selected sample. References to additional posters were made. These posters were not provided or listed as part of the advertising file. The examiners requested that the referenced posters be provided, and the Company sent one (1) additional poster in response to the examiner's request.

Advertising Standard #6:

WAC 284-43-820(3) requires that the Company provide a list of available disclosure items to its enrollees and prospective enrollees. GWH was asked how it complies with WAC 284-43-820(3). The Company advised that disclosure items are available through a variety of methods, including but not limited to the enrollee's evidence of coverage document, the Company's website and by calling customer services. Based on the Company's response, the disclosures are not readily provided to the enrollee and prospective enrollee but are instead provided only upon request. The examiners reviewed the evidence of coverage document and the Company's website. There is no actual listing of the available disclosures items. The Company stated that it would immediately begin incorporating a list of the items in the materials provided to prospective enrollees at enrollment. In addition, it will provide a listing to existing enrollees at contract renewal.

Subsequent Event: The Company provided the examiners with its One+ Benefit Summary dated May 10, 2005. The benefit summary includes the disclosure items that are required by WAC 284-43-820(1) through WAC 284-43-820(3).

Advertising Standard #7:

Four (4) advertisements imply a specific savings of $270 to $2,183 annually to employer groups for participation in the Company's CareResults program. Based on the advertisements, an employer would expect to save no less than $270 and no more than $2,183 annually. The advertisements do not contain any guarantee of the savings amounts depicted. Without evidence to support the wide range of potential savings, these advertisements are viewed as misrepresentations of the advantages of participation in the CareResults program. See Appendix 3.

Subsequent Event: GWH stopped using the advertisements in question on July 26, 2004 when the Company requested and received approval for withdrawal from the small and large employer market in Washington. The advertisement was removed from company-wide circulation in January 2005.

COMPLAINTS

Complaint Procedures

The Company provided its Appeal & Grievance Policy and Procedure, effective July 1, 2002. GWH also provided an outline of its Complaint Tracking Policy. Upon initial review of the sample files, the examiners noted inconsistencies in the processing and handling of complaints. The Company informed the examiners that the policies and procedures throughout GWH were not consistent.

Complaint Processing

Complaints and appeals were handled in each of the six (6) Great-West regional offices. Late in 2002, a decision was made to reorganize the claims, customer service and operations departments into a centralized model. In 2003, these operational functions were moved to the Company's Denver offices. Currently, appeals and grievances are handled by a staff of 14 analysts, a coordinator, two (2) support staff, a supervisor and a manager.

Findings

The following Complaints Standards passed without comment:

#	Complaints Standard	Reference
4	**Response to communications from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested by the OIC.**	**WAC 284-30-650, Technical Advisory T 98-4**
5	**The company complies with procedures for health care service review decisions.**	**WAC 284-43-620**

The following Complaints Standards failed:

#	Complaints Standard	Reference
1	**The company has filed a copy of its procedures for review and adjudication of complaints with the OIC.**	**RCW 48.43.055**
2	**The company maintains a fully operational, comprehensive grievance process.**	**RCW 48.43.530**
3	**The company provides enrollees access to independent review services to resolve disputes.**	**RCW 48.43.535**

Complaints Standard #1:

The examiners were presented with GWH's Appeal & Grievance Policy and Procedure, effective July 1, 2002, and its Complaint Tracking Policy. These procedures have not been filed with the OIC. The Company stated that the appeal and grievance policies were included with the April 25, 1997 application for its Certificate of Registration. The Company has

implemented several revisions to its policies and procedures, and there have been no filings since the initial submission.

Subsequent Event: GWH filed a copy of its appeal and grievance procedures with the OIC. The filing was received May 20, 2005.

Complaints Standard #2:
GWH did not have a fully operational, comprehensive plan in place until July 1, 2002. Even after the plan was implemented, it was not being followed by all regional offices handling complaints, appeals and grievances. The examiners also noted the procedures contained the following errors:

- The policies and procedures state that complaints must be in writing. WAC 284-43-130(11) states that a grievance can be either written or oral. Therefore, the Company's process must cover both written and oral complaints.
- The policies and procedures do not include an action step requiring the company to acknowledge appeals in writing. This is a violation of RCW 48.43.530(5)(a).
- The policies and procedures do not include an action step requiring that the written notice to the enrollees inform them of their rights to an independent review. This is a violation of RCW 48.43.530(5)(g).
- The Company's log of appeals was not complete. This is a violation of RCW 43.43.530(10) and WAC 284-43-615(2)(j).

Subsequent Event: Review of the Company's newly filed appeal and grievance procedures, effective June 1, 2005, confirm that procedures have been amended to include written and oral complaints, acknowledgement of appeals in writing, and notification of an enrollee's rights to independent review. An appeals tracking system has also been implemented coincident with the new procedures.

Complaints Standard #3:
The Company's procedures only allow independent review of health care disputes for appeals concerning medical necessity.

Subsequent Event: The Company's June 1, 2005 procedures state that a member may seek review by an independent review organization for any medical necessity, clinical or service dispute.

CLAIMS

Claim Processing Manual

The examiners reviewed GWH's online claim procedure manual. While reviewing the claims sample, the examiners tested each claim to assure that procedures are in place so that the

Company adjudicates claims accurately and timely. The examiners found that the following procedures impact claims reporting:

- GWH does not subrogate claims unless a single claim is greater than $200. If there are multiple claims for an injury or accident, the Company does not add the claims together to reach a subrogation threshold. The result of this practice is that GWH is paying out claims for which it is not liable.

Subsequent Event: On October 27, 2004, the Company began investigation of all claims subject to subrogation regardless of the dollar amount.

- Claims audit procedures include an error code for failure to investigate. Claims can potentially be closed or denied prematurely. After necessary information has been received, a new claim is opened. This practice inflates the total claim count as well distorts prompt pay results.

Claims Processing

The examiners noted that claims examiners are given authorization to manipulate line items on claims. On chiropractic and physical therapy claims, claims examiners break out applicable office copayments from the actual charge. A separate line item is created using procedure code 99499. It was also discovered that claims examiners can manipulate line items on a claim to allow for two remark codes and to combine procedure codes. The Company also informed the examiners that procedure codes may be altered to reflect a code that it feels to be more appropriate than what was submitted by the provider. This practice occurred on 11 of the claims reviewed (OIC #11, OIC #12, OIC #16, OIC #18, OIC #46, OIC #63, OIC #69, OIC #71, OIC #72, OIC #74, OIC #98). GWH informed the examiners that proprietary software is in place to automatically audit procedure codes and that system limitations dictate the use of this practice to adjudicate chiropractic and physical therapy claims. However, further explanations from Company personnel along with errors found during the course of the examination contradict the Company's statements regarding its software.

Manipulation of line items compromises the integrity of the claims submitted to GWH. The Company is able to reduce the actual charges submitted for a procedure code. The actual reporting and recording of claims dollars for chiropractic and physical therapy claims are being reduced by the amount of a member's copayment. In turn, reporting for procedure code 99499 is inflated. Other provider billings submitted with procedure code 99499 now include the copayments that GWH has elected to associate with this same code. The ability of claims examiners to manipulate claims data and arbitrarily change procedure codes exposes the Company to misreporting of claims data, manual coding errors by the examiners, and confusion on the member's behalf since explanations of benefits may contain coding that do not match the provider's billing statement. Although evidence of claim mishandling was not found, the risk of fraud is high due to the ability of claims examiners to manually manipulate billed line items on incoming claims. Even though the Company does perform random audits,

the claims procedure manual sets internal auditing at a minimum of one (1) claim per examiner per day. Selected claims are reviewed for completeness, accuracy, alterations, COB information, appropriateness of any overrides used, and unusual administrative decisions. The examiners were provided with copies of GWH's 2002 and 2003 claims audits for review.

The examiners noted seven (7) claims containing processing errors:

- Claims examiners entered an incorrect diagnosis code or procedure code on three (3) claims. (OIC #7, OIC #29, OIC #72)
- An incorrect allowed amount was entered on one (1) claim. (OIC #31)
- One (1) claim was denied as a duplicate when it in fact was not. (OIC #32)
- One (1) claim contained a line item that was denied as a duplicate when it was not. (OIC #94)
- The amount due to the provider was not carried over to the paid amount on one (1) claim and the provider did not receive payment timely. (OIC #34)

Claims Review

GWH processed 26,595 claims during the examination period. The examiners randomly selected 100 claims for review. The claims selected were those processed with $0 payment. They were either denied or no payment was due the provider contractually. GWH informed the examiners that 30 to 40 percent of claims are auto-adjudicated. In the sample reviewed, the examiners noted that 17 percent of received claims were processed on the same day or within one (1) day.

Findings

The following Claims Standards passed without comment:

#	Claims Standard	Reference
1	**The company shall provide no less than urgent and emergent care to a child who does not reside in the Company's service area.**	**RCW 48.01.235(3)**
3	**The company shall not retrospectively deny an individual prescription drug claim that had prior authorization.**	**RCW 48.44.465**
4	**The company shall not deny benefits for any service performed by a denturist if the service performed was within the lawful scope of such person's license, and the agreement would have provided benefits if services were performed by a dentist.**	**RCW 48.43.180, RCW 48.44.500**
11	**Decisions concerning maternity care and services are to be made between the mother and the provider.**	**RCW 48.43.115**
12	**An enrollee may receive benefits at a long term care facility if he/she was a resident prior to hospitalization.**	**RCW 48.43.125**
13	**All plans must include coverage for diabetes.**	**RCW 48.44.315**

#	Claims Standard	Reference
14	**All plans must include coverage for mammograms.**	**RCW 48.44.325, WAC 284-44-046**
15	**All plans must include coverage for reconstructive breast surgery.**	**RCW 48.44.330**
16	**All plans shall waive preauthorization for mental health treatment if member is involuntarily committed to a state mental hospital.**	**RCW 48.44.342**
17	**All plans must provide coverage for the formula necessary for the treatment of phenylketonuria (PKU).**	**RCW 48.44.440, WAC 284-44-450**
18	**All group plans shall provide benefits for the treatment of chemical dependency. All contract benefits for the treatment of chemical dependency must comply with the specified standards.**	**RCW 48.44.240, Chapter 284-53 WAC**
19	**All group plans must provide benefits for prenatal diagnosis of congenital disorders.**	**RCW 48.44.344**
20	**All group plans must provide coverage for neurodevelopmental therapies for individuals age 6 and under.**	**RCW 48.44.450**
21	**All individual health benefit plans offered or renewed after October 1, 2000 shall include maternity and prescription drug benefits.**	**RCW 48.43.041**
22	**All plans must include every category of provider.**	**RCW 48.43.045, WAC 284-43-205**

The following Claims Standards passed with comment:

#	Claims Standard	Reference
2	**The company shall not retrospectively deny emergency or nonemergency care that had prior authorization.**	**RCW 48.43.525(1)**
5	**The company shall pay or deny 95% of all claims within 60 days of receipt.**	**WAC 284-43-321(2)**
6	**The denial of any claim must be communicated to the provider or facility with the specific reason the claim was denied.**	**WAC 284-43-321(4)**

Claims Standard #2:

The examiners found one (1) claim for services that were retrospectively denied after prior authorization had been given:

- OIC #36, Claim #2939418 - This claim was denied for lack of preauthorization on February 14, 2002. The pre-certification was subsequently found and the claim was reprocessed on February 28, 2002.

Claims Standard #5:

The Company's system does not have the capability to flag clean and unclean claims. Due to this claims processing system limitation, the Company's practice is to close claims pending receipt of further information. When the outstanding information is received, a new claim is opened. Typically, if a claim requires additional information in order to be processed, GWH will "reject" the claim within 30 days of receipt. The Company states that the term "rejection" means that the claim is not "completely denied" but requires necessary information to complete processing. The provider and/or member are given 45 days from the date of notice to provide this information. If the information is not received in that time frame, the claim is then deemed to be denied. If the requested processing information is received after 45 days from the date of notice, GWH opens a new claim. This process inflates the total number of claims and distorts clean claim percentage calculations. The sample claims reviewed were paid or denied within 60 days of receipt. However, six (6) claims that were reviewed demonstrate this practice:

- OIC #1, Claim #0021164 – The claim was received on August 9, 2002 and denied on August 27, 2002. The claim was denied pending receipt of patient records. A new claim was subsequently opened on October 25, 2003 and paid on October 31, 2003.
- OIC #6, Claim #0804476 – The Company received this claim on March 12, 2001 under Claim #4442505. The claims examiner pended the claim on April 10, 2001. GWH could not provide an explanation as to why the claim was pended. On January 24, 2002, the claim was given a new claim number and processed appropriately.
- OIC #15, Claim #1363253 – The claim was received on December 11, 2003 and denied on December 18, 2003 pending determination by the Company if the claim was accident related. Accident details were received on December 31, 2003. A new claim was subsequently opened and paid on January 5, 2004.
- OIC #39, Claim #3007897 – The claim was received August 24, 2002 and was denied on August 26, 2002 as the member's eligibility file indicated a termination date of March 10, 2002. The employer was in the process of switching plan types within GWH. After the Company had determined that this was the case, a new claim was subsequently opened and paid on February 28, 2003.
- OIC #45, Claim #3779760 – The claim was received on May 28, 2003 was denied on June 6, 2003. It was coded to indicate that coordination of benefits may be applicable. On June 22, 2003, the member contacted the Company to notify that no other coverage was involved. A new claim was opened and the claim was processed on July 1, 2003. Coordination of benefits (COB) rules require the Company to estimate its responsibility and pay the provider accordingly (WAC 284-51-100).
- OIC #84, Claim #6971927 – The claim was received on December 20, 2002 and denied on December 30, 2002. GWH asked for proof that the member was a full-time student. Upon receipt of the information on January 9, 2003, a new claim was opened. It was paid on January 21, 2003.

Claims Standard #6:
GWH complies with this standard. However, if multiple processing explanations are to be given, the claims examiner must manually create a second line item within the processing system. System limitations prevent single line items from processing multiple explanation codes. Although GWH conducts quality assurance audits of its claims processing and errors of this type were not found, the practice of manual manipulation potentially increases processing errors and compromises the integrity of the claims data submitted to the Company.

The following Claims Standards failed:

#	Claims Standard	Reference
7	**The company maintains a documented utilization review program with descriptions and conducts utilization review within the prescribed format defined.**	**RCW 48.43.520, WAC 284-43-410**
8	**The company administers Coordination of Benefits provisions as required.**	**Chapter 284-51 WAC**
9	**All plans must provide female enrollees direct access to women's health care services.**	**RCW 48.42.100, WAC 284-43-250**
10	**All plans shall cover emergency services necessary to screen and stabilize a covered person.**	**RCW 48.43.093**

Claims Standard #7:
WAC 284-43-410(5)(a) requires that review determination must be made within two (2) business days of receipt of the necessary information on a proposed admission or service requiring a review determination. The Company's policy shows that a determination will be made 72 hours after request for service has been received. The Company also stated "All requests for authorization of services will be processed within a reasonable period of time that allows adequate review, accommodates clinical urgency, avoids prolonged delays and complies with all federal, state, URAC and other regulatory agency requirements."

WAC 284-43-410(5)(d) requires that notification of a determination be provided to the attending physician or ordering provider or facility and to the covered person within two (2) days of the determination. Notification shall also be provided within one (1) day of concurrent review determinations. The Company's policy does not adhere to the two-day notification requirement. In addition, the initial notification does not include the date of the next anticipated review point.

Subsequent Event: GWH amended its utilization review procedures to comply with the time requirements. The procedures were amended on June 7, 2005.

Claims Standard #8:
The examiners found one (1) claim (OIC #45, Claim #3779760) that was coded to indicate that coordination of benefits may be applicable. This claim was closed pending receipt of additional information. WAC 284-51-100 states that an insurer may not unreasonably delay payment of a

claim by reason of applying the COB provision. Investigation of other plan coverage is to be conducted concurrently. In order to comply with payment timeliness requirements, the company is to make payment as the primary plan and exercise its right to recover any excess payments.

Claims Standard #9:

The examiners found that the Company had denied two (2) claims for women's health care due to lack of referral. WAC 284-43-250(3)(a) states that all health carriers shall permit each female member access to women's health care practitioners without prior referral from another health care practitioner. The following claims were denied for lack of referral:

- OIC #6, Claim #0804476 – This claim was received on March 12, 2001 and denied on April 10, 2001. GWH admits that services were denied in error. On January 4, 2002, the claim was reopened with a new claim number and processed accordingly.
- OIC #52, Claim #3297288 – This claim was received on March 1, 2002 and denied on April 4, 2002. GWH admits that services were denied in error. The claim was reprocessed on May 8, 2002.

Claims Standard #10:

The examiners found that the Company had denied three (3) claims for emergency or urgent care. The claims were denied for failure to have obtained precertification or an approval prior to treatment. RCW 48.43.093 requires that all plans cover emergency services necessary to screen and stabilize a covered person.

- OIC #54, Claim #4649901 – Services were paid at a non-network benefit level for failure to obtain an approval prior to treatment. GWH agreed with the examiners' findings in writing on July 23, 2004. However, the Company has not provided the examiners with proof of reprocessing and additional payment.
- OIC #55, Claim #4686064 – This claim was denied for not having prior approval for treatment. GWH acknowledged the processing error and appropriate payment was made October 22, 2003.
- OIC #95, Claim #8005121 – This claim was denied for failure to obtain approval prior to receipt of services. GWH agreed with the examiners' findings in writing on July 23, 2004. However, the Company has not provided the examiners with proof of reprocessing and additional payment.

AGENT ACTIVITY

Agent Appointment Procedures

GWH provided its agent appointment procedures that were effective July 1, 2003. The examiners reviewed the procedures and determined that the processes outlined for licensing and appointment accurately describe the procedure for assuring agent activity remains in compliance.

Agent Activity Review

The examiners reviewed the agent licensing and appointment records for the agents that were associated with the groups randomly selected for review in the underwriting section of this examination. Forty (40) agents were subject to review.

Findings

The following Agent Activity Standards passed without comment:

#	Agent Activity Standard	Reference
2	**The company ensures that agents are appointed to represent the company prior to allowing them to solicit business on behalf of the company.**	**RCW 48.17.160(1), RCW 48.44.011(2)**
3	**The company must provide the agent with written notice of revocation of appointment and send a copy to the OIC.**	**RCW 48.17.160(3)**

The following Agent Activity Standards failed:

#	Agent Activity Standard	Reference
1	**The company requires that agents and brokers are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the company in any way.**	**RCW 48.17.060(1), RCW 48.17.060(2), RCW 48.44.011(2)**

Agent Activity Standard #1:
One (1) agent received a quote for a January 1, 2004 effective date on October 20, 2003. This agent was not licensed until February 20, 2004 (OIC #13).

Subsequent Event: GWH provided its agent licensing procedures that became effective November 1, 2004. Sales support staff is now required to verify licensure and appointment prior to quote being issued and responding to request for proposals. Communication of the policy to GWH field offices was made on May 27, 2005.

RATE AND FORM FILING

GWH provided a listing of the forms that it filed during the examination period. The examiners cross-referenced this listing to the records maintained by the OIC.

Findings

The following Rate and Form Filing Standard passed without comment:

#	Rate and Form Filing Standard	Reference
3	**All contract forms and rates have been filed with OIC on transmittal forms prescribed by and available from the Commissioner.**	**WAC 284-43-925**

The following Rate and Form Filing Standards failed:

#	Rate and Form Filing Standard	Reference
1	**All contract forms have been filed with and approved by the OIC prior to use.**	**RCW 48.44.040, WAC 284-43-920**
2	**All rates have been filed with OIC prior to use.**	**RCW 48.44.040, WAC 284-43-920**

Rate and Form Filing Standard #1:

The examiners reviewed the form filings that have been submitted to the OIC. The following depicts the Company's filings during and after the examination period:

Filing Type	Date Filed	Date Approved	Date Effective	18-Month Expiration	Next Filing Received
Large Group	6/4/03	10/13/03	6/1/03	12/1/04	N/A
Small Group	6/25/01	8/21/01	6/30/01	12/31/02	N/A
Conversion	6/25/01	8/21/01	6/30/01	12/31/02	7/10/04

The Company did not refile its small group or conversion contract forms as required. WAC 284-43-920(1)(b) states that any form that has remained unchanged after an 18-month period must be refiled within 30 days of the expiration of that 18-month period.

Rate and Form Filing Standard #2:

The examiners reviewed the rate filings that have been submitted to the OIC. The following depicts the Company's filings during the examination period.

Filing Type	Date Filed	Date Approved	Date Effective	18-Month Expiration	Next Filing Received
Large Group	3/8/02	3/13/02	3/1/02	9/1/03	2/6/04
Small Group	3/8/02	3/13/02	4/1/02	10/1/03	3/10/04
Conversion	11/9/01	11/13/01	12/1/01	6/1/03	7/21/04

The Company did not refile its large group, small group or conversion rates as required. WAC 284-43-920(1)(b) states that any form that has remained unchanged after an 18-month period must be refiled within 30 days of the expiration of that 18-month period.

The examiners noted that there were no negotiated contract or rate filings during the examination period. GWH informed the examiners that the majority of its written business was self-funded groups. The sample files selected for the underwriting section were reviewed to confirm the Company's statement regarding self-funding arrangements. The master application documents in each file confirm that each group was sold and/or quoted on a self-funded basis.

Subsequent Event: GWH notified the OIC of withdrawal from the Washington market on June 25, 2004.

UNDERWRITING

Underwriting Manual

GWH provided its 2002-2003 Underwriting Procedure Manual. The manual was reviewed by the examiners and no exceptions were noted.

Underwriting Process

The Company focuses its marketing efforts on self-insured and alternative funding arrangements. When a new case is sold, field office staff loads the benefits and each individual application into the GWH computer system. Credit for prior coverage and any credit for pre-existing conditions are loaded at this time.

Immediately upon notification of a new group submission, the underwriter confirms the accuracy of the data submitted and the final sold rates of the case.

Group File Review

The following depicts the total number of files from the examination period and the sample size selected:

Type of Underwriting File	Total Population	Sample Size Selected	Files Reviewed
New Groups	2	2	2
Inforce Groups	36	18	14
Terminated Groups	49	25	22
Large Group Quotes (> 100 lives)*	5	5	1
Small Group Quotes (< 100 lives)*	170	5	5
Total	**262**	**55**	**44**

*GWH's definition of large and small groups.

Four (4) group files from the selected sample of inforce groups and three (3) group files from the selected sample of terminated groups were not reviewed as all were outside the scope of the

examination period. The Company was unable to provide four (4) of the five (5) selected large group quotes.

Findings

Underwriting Standards #10, #11, #12, #13, and #15 are only applicable to individual plans and were not tested during this examination.

The following Underwriting Standards passed without comment:

#	Underwriting Standard	Reference
1	**The company complies with the prescribed requirements for enrollment and coverage of a child under the health plan of the child's parent.**	**RCW 48.01.235, RCW 48.44.212**
2	**The company appropriately reduces preexisting condition exclusions, limitations, or waiting periods in its large group, small group and individual plans by applying time covered by the preceding health plan coverage.**	**RCW 48.43.015, WAC 284-43-710**
3	**The company may not reject an individual for health plan coverage in a large or small group based upon preexisting conditions of the individual. The company may not deny, exclude, or limit coverage for an individual's preexisting health conditions. The company shall accept any state resident within the group and within the company's service area.**	**RCW 48.43.025, RCW 48.43.035(1), WAC 284-43-720**
4	**Eligibility to purchase a health benefit plan must be extended to all small employers and small groups as defined in RCW 48.43.005(24).**	**RCW 48.43.028**
5	**Dependent children cannot be terminated from an individual or group plan because of developmental disability or physical handicap.**	**RCW 48.44.200, RCW 48.44.210**
6	**All plans shall cover newborn infants and congenital anomalies from the moment of birth.**	**RCW 48.44.212(1)**
7	**No plan may deny coverage solely on account of race, religion, national origin, or the presence of any sensory, mental, or physical handicap.**	**RCW 48.44.220**
8	**The company may not refuse, cancel, or decline coverage solely because of a mastectomy or lumpectomy more than five (5) years prior.**	**RCW 48.44.335**
9	**Adoptive children shall be covered on the same basis as other dependents.**	**RCW 48.44.420**
14	**Dependents shall have the right to continue coverage in the event of loss of eligibility by the principal enrollee.**	**RCW 48.44.400**

PROVIDER ACTIVITY

Provider Contracting Process

Provider contracting is handled by the Regional Quality Management Committee and the Medical Director. The contracting process begins upon receipt of a completed application and supporting credentialing documents. Within 60 days of application, the provider is notified of application acceptance or denial.

Provider Manuals

GWH provided the examiners with two (2) provider manuals:

- One Health Plan One+ Provider Manual (Nov. 98)
- One Health Plan PPO/POS Provider Manual (Nov. 98)

The examiners found several inaccuracies in these manuals:

- References to the Company's status as an HMO when in fact it is an HCSC.
- References that providers must follow the processes and statutory requirements of other states (Colorado, Kansas, Oregon, New Jersey) with no mention of Washington state requirements.
- Incorrect benefit descriptions, claims processing timeframes, referral requirements, precertification requirements, appeals process, and grievance procedures.

The examiners questioned the Company regarding the submission of materials for review that were issued over three (3) years prior to the beginning of the examination scope. The Company responded:

> "The Provider Manual Great-West submitted was not routinely in use during the examination period because it had not been updated. Where the Provider Manual conflicts with Washington state law, the Provider Manual no longer reflects the practices of Great-West. As required by WAC 284-43-320, Great-West used other mechanisms to inform providers of any information that as required to be disclosed." The Company added, "Great-West will continue to notify providers and hospitals through alternative mechanisms."

The Company failed to provide any additional information on these "alternative mechanisms." The examiners were unable to confirm if current and statutorily accurate information is given to GWH providers.

Provider Directories

GWH provided a CD containing its provider directory as of March 27, 2004. The examiners did not note any problems or violations within the electronic directory.

The directory contained the following:

- Hospitals 52
- Ancillaries 33
- Other Facilities 479
- Pharmacies 462
- Physicians 7,320

Provider Contract Review

Based on a total of 8,346 providers contracted during the examination period, the examiners selected 100 provider contract files for review. The examiners reviewed the files of the following types of providers:

- Hospital 1
- Ancillary 1
- Other Facilities 6
- Pharmacy 6
- Physicians 86

While reviewing the files, the examiners noted the following issues:

- The Company often refers to itself as an HMO in its provider contract forms. This is incorrect, and is a violation of RCW 48.46.027(1).
- Alterations to approved provider contract forms which have not been filed with the OIC as required by WAC 284-43-330(2).
- Twenty-one (21) contracts reviewed did not have an identifying form number making it impossible to determine if the form had been filed.
- The Company continued to contract using One Health Plan of Washington, Inc. after its October 30, 2003 name change to Great-West Healthcare of Washington, Inc. In addition, only one (1) contract file reviewed contained an amendment changing the Company's name.

Twenty-three (23) provider contract forms were in use during the examination periods. All of the contracts reviewed were issued by One Health Plan.

Findings

The following Provider Activity Standards passed without comment:

#	Provider Activity Standard	Reference
2	**All plans must allow enrollees to select a primary care provider who is accepting new patients from a list of participating providers.**	**RCW 48.43.515, WAC 284-43-251**

#	Provider Activity Standard	Reference
3	**Company standards for selection of participating providers and facilities does not result in risk avoidance or discrimination by excluding providers or facilities specializing in specific treatments or located in high risk geographic areas.**	**WAC 284-43-310(1)(a), WAC 284-43-310(1)(b)**

The following Provider Activity Standard failed:

#	Provider Activity Standard	Reference
1	**All provider contract forms must contain and adhere to the prescribed standards.**	**WAC 284-43-320 through WAC 284-43-340**

Provider Activity Standard #1:

- **WAC 284-43-320(2):** One (1) of 23 provider contract forms did not contain the prescribed hold harmless language.
- **WAC 284-43-320(3):** Eleven (11) of 23 provider contract forms failed to include a provision advising that collecting or attempting to collect an amount from a member knowing it to be in violation of the provider or facility contract is a Class C Felony.
- **WAC 284-43-320(4):** As stated under the Provider Manual heading, the examiners were provided with a provider manual that conflicted with Washington state law. The examiners were informed that other mechanisms were used to disclose information to providers. However, additional information was not provided to the examiners and GWH's assertion could not be confirmed.
- **WAC 284-43-320(9):** One (1) of 23 provider contract forms incorrectly stated that there was no penalty to the member for reporting any improper acts to state or federal authorities. WAC 284-43-320(9) states that there shall be no penalty to the provider for reporting to state or federal authorities.
- **WAC 284-43-321(1):** Sixteen (16) of 23 provider contract forms contained either an incorrect payment description or did not contain the required payment description.
- **WAC 284-43-322(4):** One (1) of 23 provider contract forms excluded judicial remedies as a form of dispute resolution.
- **WAC 284-43-330(1):** Sixteen (16) of 23 provider contract forms were not filed with the OIC prior to use.
- **WAC 284-43-331(1):** Five (5) of 23 provider contract forms entered into after November 11, 1999 were not in compliance by July 1, 2000 as required.
- **WAC 284-43-331(2):** Thirteen (13) of 23 provider contract forms entered into prior to November 11, 1999 were not in compliance by January 1, 2001 as required.

See Appendix 4.

Subsequent Event: GWH stated that its provider contracting documents were re-filed with the OIC on April 8, 2005.

INSTRUCTIONS

	INSTRUCTIONS	PAGE #
1	The company is instructed to cease using entity names that are not registered as HCSCs with the OIC. Reference: RCW 48.44.015(1).	8
2	The company is instructed to cease referring to itself as a health maintenance organization as it is not registered as such. The Company must immediately revise all forms and other materials referring to itself as an HMO and provide proof to the OIC that this has been done within 90 days of adoption of this report. Reference: RCW 48.46.027(1).	9
3	The company is instructed to maintain adequate accounts and records and to facilitate future examinations by promptly providing the examiners with requested information. Reference: RCW 48.44.145(2).	10
4	The company is instructed to cease using any false, deceptive, or misleading information in its advertising materials. Reference: RCW 48.44.110.	11
5	The company is instructed to cite its source of statistics in its advertising materials. Reference: WAC 284-50-110(3).	12
6	The company is instructed to include its legal name in its advertising materials. Reference: WAC 284-50-150.	12
7	The company is instructed to maintain a complete advertising file. Reference: WAC 284-50-200.	12
8	The company is instructed to implement procedures that will enable it to readily provide enrollees and prospective enrollees with a list of disclosure items. Reference: WAC 284-43-820(1) through WAC 284-43-820(3).	12
9	The company is instructed to clearly represent the terms, benefits, and advantages of any contract that may be presented in its advertising materials. Reference: RCW 48.44.120, WAC 284-50-050.	12
10	The company is instructed to file a copy of its procedures for review and adjudication of complaints with the OIC. Reference: RCW 48.43.055.	15
11	The company is instructed to amend its grievance processes so that they are in compliance with Washington law. Reference: RCW 48.43.530.	15
12	The company is instructed to cease limiting independent review to appeals concerning medical necessity and to allow for independent review services for any service disputes. Reference: RCW 48.43.535.	15
13	The company is instructed to implement utilization review procedures so that decisions are reached within two (2) business days upon receipt of information for proposed admissions and services. Reference: RCW 48.43.520, WAC 284-43-410.	21
14	The company is instructed to investigate and process coordination of benefits concurrently instead of closing claims and waiting for additional information. Reference: Chapter 284-51 WAC.	21
15	The company is instructed to process women's health care claims without the necessity of a referral. Reference: RCW 48.42.100, WAC 284-43-250.	21

	INSTRUCTIONS	PAGE #
16	The company is instructed to pay claims for emergency care without the necessity of a referral or preauthorization for treatment. Reference: RCW 48.43.093.	21
17	The company is instructed to assure that all agents and brokers are licensed for the appropriate lines of business prior to allowing them to solicit business for or represent the company. Reference: RCW 48.17.060(1), RCW 48.17.060(2), RCW 48.44.011(2).	23
18	The company is instructed to amend and to file its provider contract forms to bring them into compliance with prescribed standards. Reference: WAC 284-43-320 through WAC 284-43-340.	29

	RECOMMENDATIONS	PAGE #
1	It is recommended that the company not openly display its certificate of registration. Reference: RCW 48.44.150.	8
2	It is recommended that the company review its business practices regarding the offering of self-funding arrangements to groups under 51 lives to assure that the arrangement is financially sound and appropriate for the group.	10
3	It is recommended that the company pay all claims for health services that have prior authorization. Reference: RCW 48.43.525(1).	19
4	Although the examiners recognize that system limitations require the company to manually manipulate claims data, it is our recommendation that the company fix its system to allow pended claims. Reference: WAC 284-43-321(2).	19
5	It is recommended that the company automate the flagging of clean and unclean claims in its computer system to assure accurate claim count and clean claim percentage calculations. Reference: WAC 284-43-321(2).	19
6	It is recommended that the company add the ability to include multiple reason codes to notify providers and facilities of specific reasons for claim denials. This will allow the company to discontinue the practice of manually splitting line items on claims. Reference: WAC 284-43-321(4).	19

SUMMARY OF STANDARDS

Company Operations and Management:

#	STANDARD	PAGE	PASS	FAIL
1	The company is required to be registered with the OIC prior to acting as a health care service contractor or health maintenance organization in the State of Washington. Reference: RCW 48.44.015(1).	8		X
2	The company is required to report to the OIC any changes to the registration documents, including Articles of Incorporation, Bylaws, and Amendments at the same time as submitting such documents to the Secretary of State. Reference: RCW 48.44.013.	8	X	
3	When the company registers with the OIC, it is required to state its territory of operations. Reference: RCW 48.44.040.	8	X	
4	The company shall not advertise or display its certificate of registration for use as an inducement in any solicitation. Reference: RCW 48.44.150.	8	X	
5	The company is required to be registered with the Office of Insurance Commissioner prior to acting as a health maintenance organization in the State of Washington. Reference: RCW 48.46.027(1).	9		X

General Examination Findings:

#	STANDARD	PAGE	PASS	FAIL
1	The company does business in good faith, and practices honesty and equity in all transactions. Reference: RCW 48.01.030.	10	X	
2	The company must facilitate the examination process by providing its accounts, records, documents and files to the examiners upon request. Reference: RCW 48.44.145(2).	10		X
3	The company may not discourage members from contacting the OIC and may not discriminate against those members that do contact the OIC. Reference: WAC 284-30-572(2).	10	X	

Advertising:

#	STANDARD	PAGE	PASS	FAIL
1	The company cannot advertise a plan to prevent illness or promote health unless a) the clinical preventive benefits are the same as the basic health plan; b) it monitors and reports annually to enrollees on standards of health care and satisfaction of enrollees; c) it makes available its plan to identify and manage the most prevalent diseases within its enrolled population on request. Reference: RCW 48.43.510(5), WAC 284-43-820(5).	11	X	
2	No advertising may contain any false, deceptive or misleading information. Reference: RCW 48.44.110.	11		X
3	The company cannot make misleading comparisons with other companies to induce the consumer to change from another HCSC. Reference: RCW 48.44.140.	11	X	
4	The company complies with the Washington Disability Insurance Advertising Regulations. Reference: WAC 284-50-010 through WAC 284-50-230.	12		X
5	The company maintains a complete advertising file. Reference: WAC 284-50-200.	12		X
6	The company must comply with all health plan disclosures as required by regulation. Reference: WAC 284-43-820(1) through WAC 284-43-820(3).	12		X
7	The company cannot misrepresent the terms, benefits, or advantages of the contract. Reference: RCW 48.44.120, WAC 284-50-050.	12		X
8	A HCSC cannot guarantee future dividends or future refunds except in group contracts with an experience refund provision. Reference: RCW 48.44.130.	11	X	

Complaints:

#	STANDARD	PAGE	PASS	FAIL
1	The company has filed a copy of its procedures for review and adjudication of complaints with the OIC. Reference: RCW 48.43.055.	15		X
2	The company maintains a fully operational, comprehensive grievance process. Reference: RCW 48.43.530.	15		X
3	The company provides enrollees access to independent review services to resolve disputes. Reference: RCW 48.43.535	15		X
4	Response to communications from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested by the OIC. Reference: WAC 284-30-650, Technical Advisory T 98-4.	15	X	

#	STANDARD	PAGE	PASS	FAIL
5	The company complies with procedures for health care service review decisions. Reference: WAC 284-43-620.	15	X	

Claims:

#	STANDARD	PAGE	PASS	FAIL
1	The company shall provide no less than urgent and emergent care to a child who does not reside in the Company's service area. Reference: RCW 48.01.235(3).	18	X	
2	The company shall not retrospectively deny emergency or nonemergency care that had prior authorization. Reference: RCW 48.43.525(1).	19	X	
3	The company shall not retrospectively deny an individual prescription drug claim that had prior authorization. Reference: RCW 48.44.465.	18	X	
4	The company shall not deny benefits for any service performed by a denturist if the service performed was within the lawful scope of such person's license, and the agreement would have provided benefits if services were performed by a dentist. Reference: RCW 48.43.180, RCW 48.44.500.	18	X	
5	The company shall pay or deny 95% of all claims within 60 days of receipt. Reference: WAC 284-43-312(2).	19	X	
6	The denial of any claim must be communicated to the provider or facility with the specific reason the claim was denied. Reference: WAC 284-43-321(4).	19	X	
7	The company maintains a documented utilization review program with descriptions and conducts utilization review within the prescribed format defined. Reference: RCW 48.43.520, WAC 284-43-410.	21		X
8	The company administers Coordination of Benefits provisions as required. Reference: Chapter 284-51 WAC.	21		X
9	All plans must provide female enrollees direct access to women's health care services. Reference: RCW 48.42.100, WAC 284-43-250.	21		X
10	All plans shall cover emergency services necessary to screen and stabilize a covered person. Reference: RCW 48.43.093.	21		X
11	Decisions concerning maternity care and services are to be made between the mother and the provider. Reference: RCW 48.43.115.	18	X	
12	An enrollee may receive benefits at a long term care facility if he/she was a resident prior to hospitalization. Reference: RCW 48.43.125.	18	X	

#	STANDARD	PAGE	PASS	FAIL
13	All plans must include coverage for diabetes. Reference: RCW 48.44.315.	18	X	
14	All plans must include coverage for mammograms. Reference: RCW 48.44.325, WAC 284-44-046.	19	X	
15	All plans must include coverage for reconstructive breast surgery. Reference: RCW 48.44.330.	19	X	
16	All plans shall waive preauthorization for mental health treatment if member is involuntarily committed to a state mental hospital. Reference: RCW 48.44.342	19	X	
17	All plans must provide coverage for the formula necessary for the treatment phenylketonuria (PKU). Reference: RCW 48.44.440, WAC 284-44-450.	19	X	
18	All group plans shall provide benefits for the treatment of chemical dependency. All contract benefits for the treatment of chemical dependency must comply with the specified standards. Reference: RCW 48.44.240, Chapter 284-53 WAC.	19	X	
19	All group plans must provide benefits for prenatal diagnosis of congenital disorders. Reference: RCW 48.44.344.	19	X	
20	All group plans must provide coverage for neurodevelopmental therapies for individuals age 6 and under. Reference: RCW 48.44.450.	19	X	
21	All individual health benefit plans offered or renewed after October 1, 2000 shall include maternity and prescription drug benefits. *Individual Coverage Only.* Reference: RCW 48.43.041.	19	X	
22	All plans must include every category of provider. Reference: RCW 48.43.045, WAC 284-43-205.	19	X	

Agent Activity:

#	STANDARD	PAGE	PASS	FAIL
1	The company requires that agents and brokers are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the company in any way. Reference: RCW 48.17.060(1), RCW 48.17.060(2), RCW 48.44.011(2).	23		X
2	The company ensures that agents are appointed to represent the company prior to allowing them to solicit business on behalf of the company. Reference: RCW 48.17.160(1), RCW 48.44.011(2).	23	X	
3	The company must provide the agent with written notice of revocation of appointment and send a copy to the OIC. Reference: RCW 48.17.160(3).	23	X	

Rate and Form Filing:

#	STANDARD	PAGE	PASS	FAIL
1	All contract forms have been filed with and approved by the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920.	23		X
2	All rates have been filed with the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920.	23		X
3	All contract form and rates have been filed with the OIC on transmittal forms prescribed by and available from the Commissioner. Reference: WAC 284-43-925.	23	X	

Underwriting:

#	STANDARD	PAGE	PASS	FAIL
1	The company complies with the prescribed requirements for enrollment and coverage of a child under the health plan of the child's parent. Reference: RCW 48.01.235, RCW 48.44.212.	26	X	
2	The company appropriately reduces preexisting condition exclusions, limitations, or waiting periods in its large group, small group and individual plans by applying time covered by the preceding health plan coverage. Reference: RCW 48.43.015, WAC 284-43-710.	26	X	
3	The company may not reject an individual for health plan coverage in a large or small group based upon preexisting conditions of the individual. The company may not deny, exclude, or limit coverage for an individual's preexisting health conditions. The company shall accept any state resident within the group and within the company's service area. Reference: RCW 48.43.025, RCW 48.43.035(1), WAC 284-43-720.	26	X	
4	Eligibility to purchase a health benefit plan must be extended to all small employers and small groups as defined in RCW 48.43.005(24). Reference: RCW 48.43.028.	26	X	
5	Dependent children cannot be terminated from an individual or group plan because of developmental disability or physical handicap. Reference: RCW 48.44.200, RCW 48.44.210.	26	X	
6	All plans shall cover newborn infants and congenital anomalies from the moment of birth. Reference: RCW 48.44.212(1).	26	X	
7	No plan may deny coverage solely on account of race, religion, national origin, or the presence of any sensory, mental, or physical handicap. Reference: RCW 48.44.220.	26	X	
8	The company may not refuse, cancel, or decline coverage solely because of a mastectomy or lumpectomy more than five years prior. Reference: RCW 48.44.335.	26	X	

#	STANDARD	PAGE	PASS	FAIL
9	Adoptive children shall be covered on the same basis as other dependents. Reference: RCW 48.44.420.	26	X	
10	An individual is not required to complete the standard health questionnaire if the stated criteria are met. Reference: RCW 48.43.018(1).	26	N/A	
11	The company shall provide written notice of its decision not to accept an individual's application for enrollment to both the applicant and WSHIP within 15 business days of receipt of a completed application. *Individual Coverage only.* Reference: RCW 48.43.018(2)(b).	26	N/A	
12	All cancellations, denials, or non-renewals of an individual plan must be in writing and include the reason for such action. Reference: RCW 48.44.260.	26	N/A	
13	A rider will be cancelled upon application by the enrollee if, at least five years after its issuance, no health care services have been received by the enrollee for the condition specified in the rider. *Individual Coverage only.* Reference: RCW 48.44.430.	26	N/A	
14	Dependents shall have the right to continue coverage in the event of loss of eligibility by the principal enrollee. Reference: RW 48.44.400.	26	X	
15	An individual may return an individual health care contract for a full refund within 10 days of its delivery if not satisfied with the contract for any reason. *Individual Coverage Only.* Reference: RCW 48.44.230.	26	N/A	

Provider Activity:

#	STANDARD	PAGE	PASS	FAIL
1	All provider contract forms must contain and adhere to the prescribed standards. Reference: WAC 284-43-320 through WAC 284-43-340.	29		X
2	All plans must allow enrollees to select a primary care provider who is accepting new patients from a list of participating providers. Reference: RCW 48.43.515, WAC 284-43-251.	28	X	
3	Company standards for selection of participating providers and facilities does not result in risk avoidance or discrimination by excluding providers or facilities specializing in specific treatments or located in high risk geographic areas. Reference: WAC 284-43-310(1)(a) and (b).	29	X	

APPENDIX 1

Advertising Standard #2: No advertising may contain any false, deceptive or misleading information. RCW 48.44.110.

OIC ID #	Form #	Comments
6	#M4879 (12/03)	Ad states "nearly every" pharmacy in the US is in network.
21	#M4659A (Rev 1/02)	Ad does not disclose the inclusion of contraceptive coverage as required by WAC 284-43-822.
22	#M4659C (Rev 1/02)	Ad does not disclose the inclusion of contraceptive coverage as required by WAC 284-43-822.
29	#MC214 (11/02)	Ad contains a paragraph implying that contraceptive coverage may not be included in a selected prescription drug plan. Inclusion of contraceptive coverage is required by WAC 284-43-822.
50	#M4766 (1/02)	Ad promotes a 25% discount for using a selected group of alternative care providers. The ad implies that this group of providers must be used to obtain any benefits and does not disclose that alternative care is mandated as part of the member's health plan was required by WAC 284-43-205.
74	Company Website	Website promotes a 25% discount for using a selected group of alternative care providers. The website implies that this group of providers must be used to obtain any benefits and does not disclose that alternative care is mandated as part of the member's health plan was required by WAC 284-43-205.

APPENDIX 2

Advertising Standard #4: The company complies with the Washington Disability Advertising Regulations. WAC 284-50-010 through WAC 284-50-230.

WAC 284-50-110(3): The source of any statistics used in an advertisement shall be identified in such advertisement.

OIC ID #	Form #	Comments
4	#M4835 (6/03)	Statistical source of savings figures quoted not cited.
5	#M4835 (12/03)	Statistical source of savings figures quoted not cited.
6	#M4879 (12/03)	Source of information to substantiate "nearly every" pharmacy statement not disclosed.
8	#M6578 (10/01)	Statement that 95% of pharmacies in the US are in network is not substantiated.
9	#M4658 (12/03)	Statement that 95% of pharmacies in the US are in network is not substantiated.

OIC ID #	Form #	Comments
10	#M4657 (12/03)	Statement that 95% of pharmacies in the US are in network is not substantiated.
16	#M4090 (11/01)	Flier states that 1 in every 7 women is at risk for premature delivery. Source of statistic not cited.
49	#IM0094 (12/03)	Source of medical trend statistics is not cited. Ad states that disease management program is award winning; source of award is not provided.
59	#M4739 (4/02)	Statistical source of savings figures quoted not cited.
62	#M4532H-A01 (10/01)	Statement that 95% of pharmacies in the US are in network is not substantiated.
73	Web Demo CD-ROM	Statistical source of savings figures quoted not cited.

APPENDIX 3

Advertising Standard #7: The company cannot misrepresent the terms, benefits or advantages of the contract. RCW 48.44.120, WAC 284-50-050.

OIC ID #	Form #	Comments
4	#M4835 (6/03)	Ad depicts a monetary savings to employer groups for participation in the company's CareResults program. The savings amounts illustrated may not be attained by all groups participating in the plan as shown in the ad.
5	#M4835 (12/03)	Ad implies a monetary savings to employer groups for participation in the company's CareResults program. The savings amounts illustrated may not be attained by all groups participating in the plan as shown in the ad.
59	M4739 (4/02)	Ad implies a monetary savings to employer groups for participation in the company's CareResults program. The savings amounts illustrated may not be attained by all groups participating in the plan as shown in the ad.
73	Web Demo CD-ROM	Ad implies a monetary savings to employer groups for participation in the company's CareResults program. The savings amounts illustrated may not be attained by all groups participating in the plan as shown in the ad.

APPENDIX 4

Provider Activity Standard #1: All provider contract forms must contain and adhere to the prescribed standards.

Code Section Violation	Comments	Form #
WAC 284-43-320(2)	Failure to include prescribed hold harmless language.	No Form #

Code Section Violation	Comments	Form #
WAC 284-43-320(3)	Failure to inform that collecting amounts contradictory to provider contracts is a Class C Felony.	ONE-0825-02
		ONE-0825-05
		MGSPPOPOS.WA (2) 03/20/97
		CONTRACTS.NEW.GWL.010401
		MGFSPPOPOS1 03/19/97
		ONE-0425-21
		ONE-0825-03
		ONE-0825-04
		MGSPPOPOS.spec WA(2) 03/19/97
		MGSPPOPOS.specDR.CLINIC 03/20/97
		Multimgffs.wa 07/31/97
WAC 284-43-320(9)	Failure to properly state that there is no penalty to the provider for reporting company improper acts to state or federal authorities	No Form #
WAC 284-43-321(1)	Contracts did not include the prescribed payment schedule	ONE-0825-02
		No Form #
		ONE-0825-05
		MGSPPOPOS.WA (2) 03/20/97
		CONTRACTS.NEW.GWL.010401
		MGFSPPOPOS1 03/19/97
		ONE-0425-21
		ONE-0825-03
		Multiphy.wa 06/15/98
		Multianc.wa 06/15/98
		ONE-0825-04
		MGFSPPOPOS.WA1multicare.doc 03/19/97
		MGSPPOPOS.specWA(2) 03/19/97
		MGSPPOPOS.specDR.CLINIC 03/20/97
		MGFSPPOPOS.WA1 03/19/97
		Multimgffs.wa 07/31/97
WAC 284-43-322(4)	Exclusion of judicial remedies as a form of dispute resolution	No Form #

Code Section Violation	Comments	Form #
WAC 284-43-330(1)	Contract forms must be filed with the OIC prior to use	No Form #
		MGSPPOPOS.WA (2) 03/20/97
		ANCPPS-2.DOC 03/19/97
		CONTRACTS.NEW.GWL.010401
		MGFSPPOPOS1 03/19/97
		Multimgffs.ks.doc 12/99
		Multiphy.wa 06/15/98
		Multianc.wa 06/15/98
		Multimgffs.ks.doc 12/99 COR
		Multimgmh.wa 06/15/98
		MGFSPPOPOS.WA1.multicare.doc 03/19/97
		MGSPPOPOS.specWA(2) 03/19/97
		MGSPPOPOS.specDR.CLINIC 03/20/97
		MGFSPPOPOS.WA1 03/19/97
		Multimgffs.wa 07/31/97
		Multigmh.wa 08/04/97
WAC 284-43-331(1)	Contracts issued after 11/11/99 must be in compliance by 7/1/00	ONE-0825-02
		No Form #
		CONTRACTS.NEW.GWL.010401
		ONE-0825-03
		Multiphy.wa 06/15/98
WAC 284-43-331(2)	Contracts issued prior to 11/11/99 must be in compliance by 1/1/01	ONE-0825-05
		MGSPPOPOS.WA (2) 03/20/97
		MGFSPPOPOS1 03/19/97
		ONE-0425-21
		ONE-0825-03
		Multiphy.wa 06/15/98
		Multianc.wa 06/15/98
		ONE-0825-04
		MGFSPPOPOS.WA1.multicare.doc 03/19/97
		MGSPPOPOS.specWA(2) 03/19/97
		MGSPPOPOS.specDR.CLINIC 03/20/97
		MGFSPPOPOS.WA1 03/19/97
		Multimgffs.wa 07/31/97